

UNITED STATES BANKRUPTCY COURT
NORTHERN DISTRICT OF CALIFORNIA

) CASE NO. 95-10911 aj
)
) Chapter 7
5 In re)
) Adv. No. 95-1164
6 GERALD ARMSTRONG,)
)
7 Debtor) DECLARATION OF
) MATTHEW S. WARD
8)
9 CHURCH OF SCIENTOLOGY)
10 INTERNATIONAL, a California non-)
profit religious corporation,)
11 Plaintiff,)
12 v.)
13 GERALD ARMSTRONG,)
14 Defendant.)
15)

DECLARATION OF MATTHEW S. WARD

I, Matthew S. Ward, hereby declare:

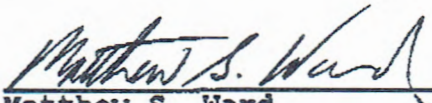
1. I am over the age of 18 and a resident of the State of California. I have personal knowledge of the facts stated herein. If called upon to testify regarding these matters, I could and would competently testify thereto.

2. I am an independently contracted paralegal. In such capacity and under the direction of Laurie Bartilson, of Moxon and Bartilson, attorneys for plaintiff in this matter, I oversaw the transcription of a tape recording of the May 17, 1995 creditors' meeting in the matter of In re Gerald Armstrong, U.S. Bankruptcy Court, Northern District of California, Case No. 95-10911 aj. The proceeding was held before the Trustee, Jeffrey G.

1 Locke.

2 3. Attached hereto is a true and correct copy of the
3 transcript of said hearing.

4 Sworn to under the penalty of perjury this 8th day of
5 February, 1996 at Los Angeles, California.

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8 Matthew S. Ward

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7 UNITED STATES BANKRUPTCY COURT
8 NORTHERN DISTRICT OF CALIFORNIA

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10 In re

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12 GERALD ARMSTRONG,

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14 Debtor
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) CASE NO. 95-10911 aj
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) TRANSCRIPT OF CREDITORS'
) MEETING
)
)
)

) DATE: May 17, 1995
) TIME: 11:00 a.m.
) TRUSTEE: Jeffry G. Locke
)

MOXON & BARTILSON
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KENDRICK L. MOXON

LAURIE J. BARTILSON

ALSO ADMITTED IN
THE DISTRICT OF COLUMBIA

ALSO ADMITTED IN
MASSACHUSETTS

February 9, 1996

BY TELEFAX AND U.S. MAIL

Gerald Armstrong
715 Sir Francis Drake Blvd.
San Anselmo, CA 94960-1949

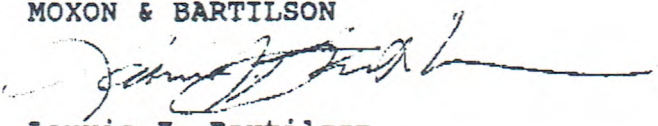
Re: Church of Scientology International v. Gerald Armstrong
Adversary Proceeding No. 95-1164, United States Bankruptcy
Court for the Northern district of California

Dear Mr. Armstrong:

I am sending with this letter a copy of plaintiff's updated list of proposed exhibits for trial. Also being sent are copies of the exhibits which have been added to the list as well as a copy of Exhibit 11, which was not included in the original set of exhibits sent to you.

Sincerely,

MOXON & BARTILSON



Laurie J. Bartilson

LJB:msw
encl.

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THE TRUSTEE: Armstrong?

MR. ARMSTRONG: Gerald Armstrong.

THE TRUSTEE: And you're representing yourself in this matter?

MR. ARMSTRONG: Yes, I am.

THE TRUSTEE: And did you receive any help preparing this petition?

MR. ARMSTRONG: Yes, I did.

THE TRUSTEE: A tax preparer or -- who helped you?

MR. ARMSTRONG: An attorney, Robert Jaffey.

THE TRUSTEE: And how much did you pay him?

MR. ARMSTRONG: One hundred dollars.

THE TRUSTEE: Is there any reason that you had deleted his name from the petition?

MR. ARMSTRONG: No. There is -- He is noted there as the person who helped prepare it.

THE TRUSTEE: Ok.

MR. ARMSTRONG: He did not sign it because he did not wish to represent me in this matter.

THE TRUSTEE: Ok.

MR. ARMSTRONG: But he is mentioned here at page -- wherever he is supposed to be.

THE TRUSTEE: Well, I don't blame him for not signing it but you didn't sign it either, so -- we've got to deal with that today.

MR. ARMSTRONG: The whole -- I've signed it.

THE TRUSTEE: Not on the copy that I have. So -- Did you sign the original but not the photocopies?

MR. ARMSTRONG: Yes.

THE TRUSTEE: Ok.

1 MR. ARMSTRONG: That was as he laid it out as opposed to my distribution.

2 THE TRUSTEE: You should be giving me photocopies of what's actually filed not
3 photocopies of something different than what's filed. So I'm going to ask you before you
4 leave today to sign the petition.

5 MR. ARMSTRONG: Oh, sure.

6 THE TRUSTEE: At least the copy that I have, ok?

7 MR. ARMSTRONG: Yes, I -- The Court must have sent that copy to you.

8 THE TRUSTEE: Is there a chance of that there are any other differences in this one
9 than the other one? Did you make the photocopies or did somebody else make the
10 photocopies?

11 MR. ARMSTRONG: Yes, they were all made in his office.

12 THE TRUSTEE: Ok. So Jaffey did the photocopying?

13 MR. ARMSTRONG: Well, his -- someone in his office had to -- I believe the
14 secretary.

15 THE TRUSTEE: You had owned real property several years ago, is that correct?

16 MR. ARMSTRONG: Yes.

17 THE TRUSTEE: This is in Marin County? Fawn Drive?

18 MR. ARMSTRONG: Yes.

19 THE TRUSTEE: When did you buy that property?

20 MR. ARMSTRONG: In the early part of 1990.

21 THE TRUSTEE: How much did you pay for it?

22 MR. ARMSTRONG: I believe that the actual price of the property was five hundred
23 and some odd thousand. I put up, I believe \$130,000.

24 THE TRUSTEE: Could you be more specific about the "and some odd thousand"?

25 MR. ARMSTRONG: No. I don't have that.

26 THE TRUSTEE: Was it \$550,000 or above or \$550,000 below?

27 MR. ARMSTRONG: I believe below.

28 THE TRUSTEE: When was the last time you were at that property?

1 MR. ARMSTRONG: I have a friends who live at the property and I have visited that
2 property. If that's what you mean.

3 THE TRUSTEE: When was the last time you were at that property?

4 MR. ARMSTRONG: Ok.

5 THE TRUSTEE: Physically.

6 MR. ARMSTRONG: I would say about two weeks ago.

7 THE TRUSTEE: Ok. So you have seen it recently then. What do you think it's
8 worth today?

9 MR. ARMSTRONG: That's an odd question to ask me. However, I have no reason
10 to doubt that it is worth at least as much as it was in 1990. So my guess is that the market
11 has probably increased since then.

12 THE TRUSTEE: Ok. So do you think it is worth more than \$600,000 or still
13 around 5 range?

14 MR. ARMSTRONG: Recognizing my lack of expertise in these matters I would say
15 \$600.

16 THE TRUSTEE: Ok. Have they done anything to the property since then?

17 MR. ARMSTRONG: Since?

18 THE TRUSTEE: Since you transferred it to them? Have they had added rooms on
19 or remodeled the kitchens or bathrooms?

20 MR. ARMSTRONG: To my knowledge, they have done some work on some deck
21 work. There has been no add-ons that I know of. I believe, I think that that's -- there may
22 be a minimal amount of landscaping. But nothing substantial.

23 THE TRUSTEE: How about remodelling new kitchens, new baths, or even --

24 MR. ARMSTRONG: No. None of those things. The house itself was new in 1990.

25 THE TRUSTEE: Ok. You, of course, knew about it?

26 MR. ARMSTRONG: Yes. I was involved in the construction of the property.

27 THE TRUSTEE: Ok. So when you said you paid someone in the 5 range, are you
28 saying that you saying that you bought the land and then the construction cost would put it in

1 the 5 range? Or did you did you actually buy it all finished, for a set price?

2 MR. ARMSTRONG: I originally put up the money in I believe 1988 to purchase the
3 property -- to purchase the land -- on which the house was built and to initially provide
4 capital for the building to occur. The house was then built and for a number of reasons it
5 made economic sense to me to purchase it myself at that time. So what I purchased was the
6 property and the building on it.

7 THE TRUSTEE: Do you recall what you paid for the land?

8 MR. ARMSTRONG: My recollection is \$75,000.

9 THE TRUSTEE: Ok. I don't have any other questions about that property. I think
10 I've seen most of the declarations and your statements. I didn't see volume one of your
11 response to the motion for relief from stay. I received three boxes, yesterday. I've been
12 here all day, so I haven't seen it. Were four boxes sent or three boxes.

13 MR. ARMSTRONG: There were four. However, I ran out of stamps at near six
14 o'clock in San Rafael so ended up putting it in the box but, I believe that they probably
15 considered it late, so you probably should get it today.

16 THE TRUSTEE: All right. It just so happen to contain the first volume or at least
17 your opposition so all the other boxes didn't make a whole lot of sense.

18 MR. ARMSTRONG: Oh.

19 THE TRUSTEE: But I'll look to see that then. They listed your assets fairly
20 minimal and I think your declarations say a religious reason that you don't hold very many
21 material assets. Is that a fair statement?

22 MR. ARMSTRONG: Yes.

23 THE TRUSTEE: According to some other declarations, you've given away quite a
24 bit back in the early '90s --

25 MR. ARMSTRONG: In August of 1990.

26 THE TRUSTEE: That seems to be very pretty well documented by the Church of
27 Scientology. Are there any misstatements in their recollection of the assets being given to
28 other folks or is that all dealt with in your opposition.

1 MR. ARMSTRONG: I'm not quite sure what your question -- Yes. One of the
2 documents goes into in great detail who all the recipients were and the time period --

3 THE TRUSTEE: That's your document or their document?

4 MR. ARMSTRONG: That is included at least in my document. I don't -- I think
5 that they make rather broad allegations and don't go into the specifics of it. My documents,
6 I believe, will give the specifics.

7 THE TRUSTEE: And is there anybody that's holding property for you and if there
8 is, are they intending to give it back to you at some time.

9 MR. ARMSTRONG: No.

10 THE TRUSTEE: Ok. And I'll ask, you have been sworn in today, that's correct?

11 MR. ARMSTRONG: Yes.

12 THE TRUSTEE: And you testify today, then, that this is a complete listing of all
13 your assets?

14 MR. ARMSTRONG: There are some items which were omitted and some changes
15 which should be made and I can give you those, if want.

16 THE TRUSTEE: What would be the approximate value of the omissions?

17 MR. ARMSTRONG: Well, in my estimation, they'd probably end out being a couple
18 hundreds of dollars and that is a bicycle which I did not include. And -- Although I listed
19 the Gerald Armstrong Corporation at one point, I see that I should have listed myself as a
20 stockholder in the corporation. The corporation, unfortunately, is suspended and although it
21 has some assets in terms of mass, they have no commercial value, at present.

22 THE TRUSTEE: And you list just a few creditors absent that --

23 MR. ARMSTRONG: Oh, may I say something else?

24 THE TRUSTEE: Sure.

25 MR. ARMSTRONG: And that is that since I filed, I have become employed so, my
26 income which is listed there as zero is different now. I am employed in a law firm.
27 Working for former lawyer, Ford Greene.

28 THE TRUSTEE: Is he actually with a firm or is he a sole practitioner?

1 MR. ARMSTRONG: He's a sole practitioner, I'm his sole office assistant.

2 THE TRUSTEE: Ok. Just wanted to go over into those creditors.

3 MR. ARMSTRONG: Each of the other ones, other than Scientology, I have
4 reaffirmed my indebtedness to them.

5 THE TRUSTEE: Okay, they aren't secured so -- looking at First Interstate Bank, do
6 you still owe them \$1,200?

7 MR. ARMSTRONG: Yes.

8 THE TRUSTEE: Do you have two cards with them, or just one?

9 MR. ARMSTRONG: Well, I actually don't have a card but I have that amount. One is the
10 VISA account and what they call a balance plus account.

11 THE TRUSTEE: Good. So do you owe a total of about \$2,200 or do just owe them
12 \$1,200.

13 MR. ARMSTRONG: No. \$2,200.

14 THE TRUSTEE: How long have you owed that money to them.

15 MR. ARMSTRONG: Although it's descended because I've continued to make
16 payments, I guess about 3 and a half years or so, something like that. But I am basically
17 current in my payments on those accounts.

18 THE TRUSTEE: And William Benz?

19 MR. ARMSTRONG: Yes, I reaffirmed my debt to him as well.

20 THE TRUSTEE: Is he the attorney that you're employed with?

21 MR. ARMSTRONG: No. He was the referee in the State action.

22 THE TRUSTEE: Ok. I must ask then that you sign the petition that I have.

23 MR. ARMSTRONG: Ok.

24 THE TRUSTEE: And are there any creditors here for this guy.

25 MS. FONG: Yes, Linda Fong, on behalf of the Church of Scientology.

26 THE TRUSTEE: Ok. Are you an attorney for the Church?

27 MS. FONG: I am.

28 THE TRUSTEE: Ok. And which office do you represent?

1 MS. FONG: I'm with Wilson, Ryan & Campilongo. Mr. Walton in 1990
2 transferred your home to Michael Walton, is that right?

3 MR. ARMSTRONG: Did you call me, Mr. Walton, I'm Armstrong.

4 MS. FONG: I'm sorry.

5 MR. ARMSTRONG: That's ok.

6 MS. FONG: I mis-spoke. You transferred your house to Mr. Walton, is that right?

7 MR. ARMSTRONG: Mr. Walton and I were both in title in 1990. We bought the
8 property together and I transferred my interest in the property to him in August 1990, yes.

9 MS. FONG: As a consequence of that transfer to Mr. Walton did you receive
10 anything for it?

11 ARMSTRONG Well, I, I received the -- in human terms -- I was no longer the
12 person on title and no longer had to make payments, mortgage payments or other payments
13 connected with the house so I received that. What I consider that I received were the
14 spiritual gifts of renunciation.

15 MS. FONG: Did you receive any monetary consideration for the transfer of your
16 interest in the home to Mr. Walton?

17 MR. ARMSTRONG: The monetary consideration is that I was relieved of the
18 indebtedness which was at that point 300 and some odd thousand.

19 MS. FONG: And when you refer to the indebtedness are you referring to the
20 indebtedness on the home?

21 MR. ARMSTRONG: Yes.

22 THE TRUSTEE: Ms. Fong, I hate to interrupt but I've read several depositions
23 where he testified to the same fact and the depositions were conducted by your client and I'll
24 ask that you move on. We're looking for new information here.

25 MS. FONG: I'm not privy to the entire information that you have before you, I just
26 want to go through some of the ones I know that he has forgiven for which I don't believe he
27 received any consideration.

28 THE TRUSTEE: OK.

1 MS. FONG: Mr. Walton you also forgave a loan that you gave to Michael and Kim
2 Douglas, is that correct?

3 MR. ARMSTRONG: Yes. Armstrong. That's OK. Yes, I did. That was
4 approximately \$80,000 that they owed me.

5 MS. FONG: Thank you. Did you receive anything in return for that forgiveness?

6 MR. ARMSTRONG: Only what I explained to you just a minute ago.

7 MS. FONG: Did you also forgive a loan that you made to Jerry Solfvin?

8 MR. ARMSTRONG: Yes.

9 MS. FONG: And did you receive anything in return for that forgiveness?

10 MR. ARMSTRONG: Again, what I explained.

11 MS. FONG: Did you also forgive a loan that you made to Iolna Dawson in the
12 approximate amount of \$30,000?

13 MR. ARMSTRONG: Yes.

14 MS. FONG: What did you receive for that forgiveness?

15 MR. ARMSTRONG: The same thing that I explained.

16 MS. FONG: Did you also forgive a loan that you made to Andrew Armstrong in the
17 amount of \$12,000?

18 MR. ARMSTRONG: Yes.

19 MS. FONG: And what did you receive in return for that forgiveness?

20 MR. ARMSTRONG: As I explained.

21 MS. FONG: Did you also forgive a loan you made to Michael Walton in the sum of
22 \$30,000?

23 MR. ARMSTRONG: Yes.

24 MS. FONG: And what did you receive in return for that forgiveness?

25 MR. ARMSTRONG: Same.

26 MS. FONG: You also forgave a loan made to Bambi Sparks, is that correct?

27 MR. ARMSTRONG: No.

28 MS. FONG: Did you forgive a loan made to someone named Lorien Phippeny?

1 MR. ARMSTRONG: No. Her name is Lorien Phippeny.

2 MS. FONG: Ok.

3 MR. ARMSTRONG: And Ms. Phippeny at the time that I gave away my worldly
4 things, I gave her my car and I gave her approximately \$1500. She returned those items to
5 me.

6 MS. FONG: Where are those items now?

7 MR. ARMSTRONG: I have my car.

8 MS. FONG: What kind of car is it?

9 MR. ARMSTRONG: 1987 Toyota.

10 THE TRUSTEE: Let me ask what was the party on the \$30,000 loan that came after
11 Solfvin's?

12 MS. FONG: Iolna Dawson.

13 THE TRUSTEE: How much was the loan that was forgiven to Jerry Solfvin?

14 MR. ARMSTRONG: It's Solfvin S-O-L-F-V-I-N. It amounted to approximately
15 \$16,000.

16 THE TRUSTEE: Okay. Thank you.

17 MS. FONG: Mr. Armstrong, did the Gerald Armstrong Corporation maintain a bank
18 account?

19 MR. ARMSTRONG: Yes.

20 MS. FONG: Where is that?

21 MR. ARMSTRONG: First Interstate Bank.

22 MS. FONG: What's the address?

23 MR. ARMSTRONG: It's on I believe on 2nd Street in San Rafael.

24 MS. FONG: Did you put anything into the corporation when you formed it?

25 MR. ARMSTRONG: Yes.

26 MS. FONG: What was that?

27 MR. ARMSTRONG: I put cash and my office equipment.

28 MS. FONG: How much cash?

1 MR. ARMSTRONG: My recollection is approximately \$10,000.

2 MS. FONG: How much is in the corporate bank account?

3 MR. ARMSTRONG: A few hundred dollars.

4 MS. FONG: You mentioned that you're a stockholder in Gerald Armstrong
5 Corporation. Who are the other shareholders?

6 MR. ARMSTRONG: Lorien Phippeny, Thomas McPherson, Anthony Armstrong,
7 Michael Dick, Michael Walton.

8 THE TRUSTEE: Mind if I ask the purpose of the corporation?

9 MR. ARMSTRONG: Well I originally set it up to be a vehicle for my artistic and
10 literary products. And it really has through time although maintaining that purpose has
11 really been a -- in part this was -- this was brought about by the fact that I became sued and
12 became a target of Scientology.

13 THE TRUSTEE: OK, I don't have any further questions then --

14 MR. ARMSTRONG: So it really has performed the function as it can in difficult
15 circumstances of assisting and defending my cause.

16 MS. FONG: What are the assets of the Gerald Armstrong Corporation?

17 MR. ARMSTRONG: It has a mass of artistic products or items which go together to
18 form an assemblage of artistic products and it presently warehouses those things.

19 MS. FONG: Where is the warehouse?

20 ARMSTRONG 715 Sir Francis Drake, San Anselmo.

21 MS. FONG: Could you give me an example of an artistic product as you are using
22 that term?

23 MR. ARMSTRONG: I call it, without going into great detail, the consumed
24 consumable containers. It's a collection of consumed consumable containers which at some
25 point will be assembled into an artistic product.

26 THE TRUSTEE: I'm going to have to limit your time.

27 MS. FONG: OK.

28 THE TRUSTEE: I don't have the resources to conduct this 3004 exam and several

1 depositions have already been taken. I believe I heard you say that you're with -- are you
2 with Wilson, Ryan?

3 MS. FONG: Yes, I am.

4 THE TRUSTEE: And again your name?

5 MS. FONG: Linda Fong -- F-O-N-G

6 THE TRUSTEE: Very good.

7 MS. FONG: Thank you.

8 THE TRUSTEE: I'm going to go ahead and conclude the hearing and you're
9 representing yourself in this matter?

10 MR. ARMSTRONG: For now I am. I'm attempting to obtain representation --

11 THE TRUSTEE: And this phone number listed on the petition is an accurate
12 number.

13 MR. ARMSTRONG: Yes it is.

14 THE TRUSTEE: I need you to sign the copy of the petition.

15 MR. ARMSTRONG: Yes I'll do that.

16 THE TRUSTEE: OK.

17 MR. ARMSTRONG: Thank you.

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